MHCC Studies in the Interim

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Rex Cowdry, M.D.
Executive Director

Health Care Reform Challenges: What Are the Key Questions?

- Is near universal coverage a key goal?
  - Incremental change or major reform?
  - Taxation – and redistribution of income
- Do individuals have a choice of plans?
  - If so, do they have better ways to comparison shop?
  - If so, are there ways to address adverse selection?
- What are the responsibilities of the individual?
  - Maintain insurance – but only at higher incomes?
  - Maintain insurance at all incomes, if individual's costs are "affordable"
- What are the responsibilities of the employer?
  - Play or pay?
  - Choose coverage or provide defined contribution?
  - The challenge of ERISA
- What are the responsibilities of government?
  - Deliver health care?
  - Fund the delivery of health care to all?
  - Support those most in need
- Does the proposal have any meaningful ways to control costs and improve value?

Health Insurance Exchange

- MHCC has been asked to study the feasibility and desirability of establishing a health insurance exchange to promote expansion of affordable health care coverage in the State.

- The study will address:
  - Organization and governance of an exchange
  - Target population of an exchange
  - Functions the exchange would carry out
  - Types of products to be offered through the exchange
  - Merits of creating a separate insurance product to be administered and offered by an exchange, versus offering existing products
  - Incentives for employers and individuals to participate in an exchange
  - Impact of exchange on:
    - State's existing health insurance markets;
    - Costs of health coverage in the State to consumers; and
    - Access to health coverage in the State

Health Insurance Exchange (cont.)

- Role of an exchange in increasing consumer participation and choice in purchasing health coverage
- Need to restructure the State's existing health insurance markets, including combining the individual and small group markets
- Relationship between an exchange and insurance producers
- Mechanisms for State oversight
- Costs of initiating and maintaining an exchange
- Whether participation should be mandatory or voluntary
- Relationship of the Consumer Education and Advocacy Program to an exchange, including the need to expand the program to provide additional information to consumers regarding health insurance
- Any lessons learned from experience in Massachusetts with an exchange

Individual Responsibility (HB 572)

- MHCC, in consultation with other State agencies, is required to study the issue of personal responsibility for obtaining health care coverage. The study will address:
  - Affordability of health insurance, particularly for those without employer-sponsored insurance
  - Need to subsidize health insurance for low-income or "uninsurable"
  - Use of incentives at the appropriate level to encourage the purchase of coverage
  - Public and private strategies to educate individuals and employers about the importance of health care coverage
  - Attaching individual responsibility with some form of employer responsibility
  - Enforcement issues, including reporting and verification of coverage
  - Potential reductions in uncompensated care and State expenditures
  - Need for religious exemptions

Interdependent Reform Strategies Suggest A Single, Integrated Report

- Viable insurance pool => broad participation, including young and healthy
- Broad participation => individual responsibility, employer participation
- Individual responsibility => affordable plan
- Individual responsibility => low income subsidies
- Individual responsibility => penalties for free-riding
- Affordable plan => narrower benefits, new incentives
- Acceptance of affordable plan => individual choice and individual plans
- Portability => individual plans
- Individual plans without underwriting => individual responsibility
- Individual choice => exchange
- Combining funding from individual, employer(s), and premium subsidies => exchange

Comprehensive Standard Health Benefit Plan (HB 579)

- MHCC is required to study options to reform the CSHBP in order to encourage more employers to enter the small group market. The study will:
  - Reconsider "comprehensive"
    - Can essential covered services be better defined? Can mandates be reduced?
    - Can high value care be identified and low value care excluded from coverage?
  - Reconsider "standard plans"
    - Each "standard plan" (PPO, PPO/HSA, POS, HMO, HD-HMO, EPO) is a floor defined by the Commission that is almost never purchased – Is a floor needed?
    - Does standardization inhibit innovative plan designs?
    - "Standard plans" allow price comparisons – are price comparisons of plans that aren't purchased still meaningful? Are there better ways to compare health insurance plans?
  - Reconsider "affordability cap"
    - Does the average cost of all the "standard plans" purchased have any real meaning?
    - Shouldn't affordability at least consider premiums for plans actually purchased, if not also out of pocket costs?
  - Reconsider incentives
    - Plan designs that deliver better incentives to patients (wellness, disease management, high efficiency networks, narrower coverage, greater attention to price and value)
    - Plan designs with incentives to providers (deliver high quality, high value care)
    - Plan designs with incentives to employers
  - Reconsider plans for special populations:
    - Low income workers, seasonal and part-time workers, and "young immortals"

Health Care Coverage for Young Adults (HB 1057)

- MHCC, in consultation with other State agencies, is required to study the high rate of uninsurance among young adults ages 19 to 29 in the State and recommend ways to increase health care coverage.

- The study will:
  - Include a review of current health care coverage options available in the State and options available in other states.
  - Examine in particular:
    - Ways to provide health care coverage to young adults transitioning from foster care; and
    - The feasibility and desirability of a Medicaid or Maryland Children's Health Program buy-in, including any potential for adverse selection that such a buy-in might create.

Fundamental Issues: Variable Value

- Health care costs are much higher than in other developed countries and continue to rise more rapidly than income or GDP
  - Technology is a key driver. New drugs, diagnostic tools, procedures are introduced early and used extensively
  - Lack of information about effectiveness, best practices, relative value
  - Misaligned incentives of third-party payments provide little reason for patients and providers to pay attention to cost and value
  - Spectre of liability leads to defensive medicine
- Health care quality is quite variable
  - Wide variations in practice patterns, adherence to guidelines
  - Unacceptably high rate of medical errors
  - Care of chronic illness is poorly coordinated
  - Management tools (information systems and incentives) are weak
  - Current incentives do little to encourage quality care

Fundamental Issues: Health Care Markets

- Health care markets are flawed
  - Incentives are misaligned
    - Payment for services rather than payment for outcomes
    - Third party payments mean neither doctor nor patient has a major financial stake in choosing the highest value health care
      - Managed care was an agreement between purchasers and health plans
      - The challenge is to bring doctors and patients into the cost-control process
    - Price signals are bizarre
  - Market is increasingly concentrated, limiting effective competition
    - Most evident in the small group market, where 2 companies have a 86% market share – both oligopoly and oligopsony issues
    - Increasingly a problem in the hospital market – although effects are less striking in Maryland because of the all-payer system
  - Consumers lack good information
    - To compare the costs, quality, and benefits of health plans
    - To compare the costs and quality of providers
    - To evaluate alternative treatments for effectiveness and value

How Can We Improve Value?

- **Consumer incentives** to choose healthy life style and high value health care
  - Premium reduction for non-smokers, normal weight
  - Health Savings Accounts (HSAs), Healthcare Reimbursement Arrangements (HRAs), and Health Opportunity Accounts (HOAs)
  - Tiered coinsurance based on evidence of effectiveness and cost-effectiveness
  - Incentives for participation in disease management programs, when indicated
  - High performance networks, centers of excellence
- **Provider incentives** to deliver high value, high quality care
  - Pay for value / pay for performance
  - High performance networks
  - Pay for use of health IT, especially decision support software
  - Medical liability protection for guideline-concordant care, other medical liability reforms
  - Confidential or public reporting of detailed performance measures
- Benefit redesign to emphasize high value, evidenced based medicine

Can We Craft an Affordable Plan?

- Define affordability
  - Affordability without a subsidy (e.g., at 300% FPL)
  - Affordability of subsidized plan at lower income levels
    - Usually a progressively lower percentage of income as income decreases
- Choose essential benefits
  - Affordability requires restraint in breadth of benefits
    - Concept of core benefits
    - Must withstand strong political pressures to mandate services and providers
    - Consider costs and outcomes when deciding what to cover
      - Benefits should reflect evidence-based medicine and high value
  - Affordability may be enhanced by high performance networks
  - "Affordable cost sharing" helps control utilization
    - But preventive and disease management services should have little or no cost sharing
- Does individual acceptance of essential benefits require that individuals choose their own plans?

Health Information Technology Initiatives

- Deliver the right information about the patient, treatment options, and coverage to the point of care to:
  - Improve quality
  - Prevent medical errors
  - Promote value
- Gathering the right information to:
  - Determine what works
  - Identify adverse effects
  - Conduct biosurveillance
- Two key components:
  - Electronic health records with decision support
  - Private and secure information exchange
- State efforts:
  - Task Force on the Electronic Health Record
  - Privacy and Security Study
  - Competitive planning projects for health information exchange with HSCRC (2007)
  - Implementation project for health information exchange with HSCRC (2008)